<u>AARP Supplemental Prefiled Testimony November 2, 2009</u>

The first question asked by the Board in its order dated September 21 is:

> 1. Whether, and if so, to what extent, the central features of any program that may be established in the context of this proceeding may appropriately be extended to other Vermont electric utilities that may either choose to, or may become obligated to, establish a low-income rate program?

Supplemental Testimony by John Howat: There are several key EAP program design features that the PSB could easily extend to all the non-investor owned electric utilities. These key features are:

- A targeted 25% monthly electric bill discount or credit for low-income customers at or below 150% of the Federal Poverty Level;
- A pre-program arrearage retirement component for eligible enrollees of an EAP;
- The requirement that EAP participants accept no-cost or low-cost efficiency measures;
- The requirement that EAP participants enter into a budget-billing plan;
- The requirement that each utility make reasonable efforts to utilize their existing local community connections and state assistance programs to assure the most efficient determination of eligibility;
- No fees will be collected for the EAP from participants;
- Maintenance of sufficient data on the progress of the EAP in serving the electric affordability needs of their participating customers; and
- Program evaluation for PSB and public review every 3 years.

The main component that may not be easily transferable between Vermont's two investor-owned utilities and non-investor owned utilities is the EAP funding model proposed by the AARP petition. As pointed out in Philene Taormina's prefiled testimony pages 15-17, AARP believes that the two investor-owned utilities have key characteristics that lend themselves well to a similar funding model, but not the others.

The funding models used for an EAP in non-investor owned utilities, in fact, will likely need to vary as well. The EAP funding models for non-investor owned utilities should be reviewed utility-by-utility because of the differences in the population demographics of their service territories, the differences in their business models and governance styles, the size of their customer pool, the make-up of their ratepayers classes, etc. Flexibility in designing an EAP funding model for the remaining 18 non-investor owned utilities is warranted in light of the differing characteristics between those utilities.

Supplemental Testimony by Philene Taormina: AARP did not conduct and does not have an analysis EAP funding models for the non-investor owned utilities, except what was submitted in our response to discovery questions related to BED. As AARP pointed out in prefiled testimony (Taormina PFT p.17), it is cost prohibitive for AARP to conduct the analysis to determine which funding model best works for the remaining non-investor owned utilities. We have committed our resources to conducting EAP financial models for the two largest utilities in Vermont and designing what we believe are essential EAP program components.

AARP asserts that there is no Vermont law prohibiting the PSB from requiring each of the non-investor owned utilities to design their own funding model for an electric bill assistance program that meets the needs and values of their company. 30 VSA section 218(e) envisions such an approach. It provides the PSB the authority, on its own motion, to order any utility to address low-income electric affordability. This utility-by-utility approach was taken by the US Congress when the Lifeline program was created. The Lifeline program assures basic telephone access for low-income and elderly through a Universal Service Fund that guarantees that it is affordable.

> The FCC does not require this charge to be passed on to customers. Each company makes a business decision about whether and how to assess charges to recover its Universal Service costs. These charges usually appear as a percentage of the consumer's phone bill. Companies that choose to collect Universal Service fees from their customers cannot collect an amount that exceeds their contribution to the USF. They also cannot collect any fees from a Lifeline program participant.

See, http://www.fcc.gov/cgb/consumerfacts/lllu.html/.

How a non-investor owned utility seeks reimbursement for the costs of the EAP through their own rate base in the form of a charge to customers could be left up to each utility as well. This gives the non-investor owned utilities maximum flexibility to creatively design an EAP funding model.

The second question asked of this docket is:

> 2. Whether an obligation to have a low-income program should extend to other Vermont electric utilities not named in AARP's petition.

Supplemental Testimony by Philene Taormina: AARP believes that the PSB was given the authority in 30 VSA section 218(e) to address the electric affordability needs of Vermont's low-income electric customers. Based on the evidence submitted, AARP believes the need for affordable electric among our state's poorest citizens has been established. AARP also believes that the PSB is not precluded by the language of section 218(e) from setting a statewide obligation that all Vermont's utilities must set up an EAP program. AARP supports this approach.

The final question asked is:

> 3. Whether all of the necessary or appropriate mechanisms that could be used under existing law to produce efficiencies or economies in the administration of a low-income rate program with more than one utility have been incorporated into the AARP proposal as reflected in AARP's pending petition.

Supplemental Testimony by Philene Taormina: AARP is committed to working with the parties and the Board to craft the most efficient and economical proposal. AARP designed the proposal to provide substantial flexibility to each utility to administer the program in a manner that would be most economical for that utility.